

22 April 2014

Q1 2014 NLMK GROUP TRADING UPDATE

- In Q1 2014 Group steelmaking capacity utilization rate remained at high level (92%). The utilization rate at the main plant (Novolipetsk) was 98%.
- NLMK Group crude steel production totaled 3.91 million t (-3.8% q-o-q). This reduction in steel production was related mainly to the reduction in Long Products Segment output (-7.5% q-o-q) due to the mastering of a new product.
- Q1 2014 Group sales jumped by 8.3% q-o-q to 3.867 m t driven by improved demand and restocking.
- Sales of rolled steel products went up by 11% q-o-q to 2.565 m t. The share of rolled steel sales in total sales was 66% (+1.4 p.p.).
- Sales to the Russian market went up by 6.1% q-o-q to 1.549 m t. Sales to other markets totaled 2.318 m t (+9.8% q-o-q), or 60% of total sales.
- Steel Segment sales jumped by 15.8% q-o-q to 3.163 m t driven by the significant increase in exports.
- Long Products Segment sales went up by 3.2% q-o-q to 0.653 m t supported by improved demand on the Russian market at the end of Q1.
- Foreign Rolled Products Segment sales increased by 3.5% q-o-q to 0.558 m t, including NLMK USA sales of 0.458 m t (+1.5% q-o-q).

Q2 2014 outlook:

Q2 output is expected to remain sequentially flat due to scheduled maintenance of the hot end operations at Novolipetsk.

Investor Relations contacts:

Sergey Takhiev
+7 (495) 915 1575
tahiev_sa@nlmk.com

Media contacts:

Sergey Babichenko
+7 (916) 824 6743
babichenko_sy@nlmk.com

NLMK Group

Sales ^{1,2} , million t	Q1 2014	Q4 2013	Q1 14 / Q4 13	Q1 2013	Q1 14/ Q1 13
Pig iron	0.006	0.026	-76.2%	0.042	-85.2%
Slabs	1.295	1.227	5.6%	1.130	14.6%
Flat steel	1.911	1.683	13.6%	2.161	-11.5%
Billets	0.086	0.084	2.2%	0.000	
Long products	0.490	0.474	3.5%	0.359	36.3%
Metalware	0.077	0.077	1.1%	0.071	9.7%
Total steel products	3.867	3.571	8.3%	3.763	2.8%
<i>sales to the Russian market</i>	<i>40%</i>	<i>41%</i>		<i>35%</i>	
<i>sales to the international markets from Russian operations</i>	<i>46%</i>	<i>44%</i>		<i>39%</i>	
<i>Foreign rolled product segment sales</i>	<i>14%</i>	<i>15%</i>		<i>26%</i>	
For information: NBH sales (Q1 2013 as part of the Group)	0.472	0.480	-1.8%	0.413	14.3%

¹All Q1 2014 production and sales data is preliminary and subject to further adjustment/change.

²Excluding inter-group operations and including sales of trading companies

NLMK Group operating highlights

NLMK Group production totaled 3.909 m t (-3.8% q-o-q). This reduction in steel production was related mainly to the reduction in Long Products Segment output (-7.5% q-o-q) due to the mastering of a new product (sections at NLMK Kaluga).

Group steelmaking operations were running at 92%, including 98% at Novolipetsk, 73%³ at NLMK Long Products and 89% at NLMK USA.

Total steel product sales went up by 8.3% q-o-q to 3.867 m t driven by seasonally improved demand and the sale of accumulated stocks (see comments for the Steel Segment). Steel Segment sales went up by 15.8% q-o-q to 3.163 m t, Long Products Segment sales increased by 3.2% q-o-q to 0.654 m t, Foreign Rolled Products Segment sales went up to 0.558 m t (+3.5% q-o-q).

Group sales to the Russian market in Q1 totaled 1.549 m t (+6.1% q-o-q) or 40% of total sales.

Key external destinations for the Group's products were North America, Europe, Middle East and South-East Asia. Russian companies' sales to international markets totaled 1.760 m t (+12.2% q-o-q), or 46% of total sales. NLMK foreign rolling operations accounted for 14% of the total sales.

³ Utilization rate at NLMK Long Products steelmaking capacities was lower partially because there was a change in the methodology for calculating NLMK Kaluga utilization rate due to the completion of start-up activities at the site's steelmaking capacities.

Steel Segment⁴

Sales, million t	Q1 2014	Q4 2013	Q1 14 / Q4 13	Q1 2013	Q1 14/ Q1 13
Pig iron	0.006	0.026	-76.2%	0.042	-85.2%
Slabs incl. ⁵	1.774	1.563	13.5%	1.623	9.3%
to NLMK USA, NLMK Dansteel	0.480	0.337	42%	0.164	42.6%
to NBH	0.483	0.446	8.2%	0.349	38.5%
Hot-rolled steel	0.617	0.416	47.9%	0.547	12.7%
Cold-rolled steel	0.366	0.366	0.1%	0.357	2.5%
Galvanized steel	0.146	0.140	4.1%	0.121	20.6%
Pre-painted steel	0.132	0.099	33.7%	0.141	-6.1%
Dynamo steel	0.061	0.066	-7.4%	0.068	-9.9%
Transformer steel	0.060	0.054	11.6%	0.066	-8.6%
Incl. VIZ-Steel	0.043	0.037	14.1%	0.046	-6.6%
Total products	3.163	2.731	15.8%	2.966	6.6%
Coke sales from Altai-Koks ⁶	0.943	0.970	-2.8%	1.000	-5.7%
incl. to Novolipetsk	0.769	0.775	-0.8%	0.834	-7.8%

⁴Steel segment companies include Novolipetsk, VIZ-Steel, trading companies and Altai-Koks. Novolipetsk and VIZ-Steel sales are calculated including trading companies.

⁵Sales of slabs to NBH were reflected as intercompany sales until Q3 2013. Starting from Q4 slab sales to these assets are shown as sales to third parties due to the deconsolidation of NBH.

⁶Coke production and sales are shown in dry weight.

Steel Segment sales went up by 15.8% q-o-q to 3.163 m t driven by the seasonal recovery in demand and by sales of stocks accumulated in Q4 2013 (approximately 200,000 t). Q1 export sales went up to 2.202 m t (+19.6% q-o-q, 70% of Segment sales). Sales to the Russian market totaled 0.960 m t (+8% q-o-q).

Slab sales went up to 1.774 m t (+13.5% q-o-q), including sales to NBH totaling 0.483 m t (+8.2% q-o-q). Slab sales to NLMK Dansteel and NLMK USA totaled 0.480 m t (+42.6% q-o-q). Slab sales to the Russian market went up by 60% q-o-q to 0.191 m t.

HRC sales totaled 0.617 m t (+47.9% q-o-q), with 53% sold domestically. CRC sales totaled 0.366 m t (+0.1% q-o-q), with 53% sold domestically.

Sales of galvanized steel and pre-painted steel totaled 0.279 m t (+16% q-o-q). Sales of dynamo steel totaled 61,000 t (-7.4% q-o-q). Total sales of transformer steel were 60,000 t (+11.6% q-o-q).

Mining Segment (Stoilensky)

Sales, million t	Q1 2014	Q4 2013	Q1 14 / Q4 13	Q1 2013	Q1 14/ Q1 13
Iron ore concentrate	3,474	3,604	-3.6%	3,388	2.5%
Incl. to Novolipetsk	2,793	2,901	-3.7%	2,621	6.5%
Sinter ore	0,397	0,360	10.3%	0,359	10.6%
Incl. to Novolipetsk	0,147	0,150	-2.0%	0,150	-2.0%

Production of iron ore concentrate and sinter ore totaled 3.630 m t (+3.4% q-o-q) and 0.379 m t (+3.5% q-o-q), respectively.

Sales of iron concentrate and sinter ore totaled 3.474 m t (-3.6% q-o-q) and 0.397 m t (+10.3% q-o-q), respectively.

Sales of iron ore concentrate to Novolipetsk totaled 2.793 m t (-3.7% q-o-q), sinter ore sales totaled 0.397 m t (+10.3% q-o-q), in line with pig iron production at the main plant.

Sales of iron ore concentrate and sinter ore to third parties totaled 0.681 m t (-3.2% q-o-q) and 0.250 m t (+19.1% q-o-q), respectively.

Long Products Segment⁷

Sales, million t	Q1 2014	Q4 2013	Q1 14 / Q4 13	Q1 2013	Q1 14/ Q1 13
Billet	0.086	0.084	2.0%	-	-
incl. NLMK Kaluga	0.086	0.084	2.0%	-	-
Rebar	0.458	0.445	2.9%	0.331	38.3%
incl. NLMK Kaluga	0.104	0.141	-26.4%	-	-
Wire rod	0.032	0.027	19.6%	0.028	14.0%
Metalware	0.077	0.077	0.3%	0.071	9.2%
Total steel products	0.653	0.633	3.2%	0.430	51.9%
Scrap incl.	0.632	1.267	-50.1%	0.468	35.0%
to NSMMZ	0.259	0.533	-51.4%	0.257	0.8%
to NLMK Kaluga	0.130	0.344	-62.2%	0.002	-
to Novolipetsk	0.228	0.367	-37.9%	0.194	17.7%

⁷ Long Products Segment includes NSMMZ (the Urals-based EAF mini-mill), NLMK Metalware, NLMK Kaluga and scrap collecting facilities. Segment sales in the table are shown excluding trading companies.

Segment crude steel production totaled 0.654 m t (-7.5% q-o-q), including 0.195 m t (-22.9% q-o-q) produced at NLMK Kaluga and 0.459 m t (+1.2% q-o-q) at other Segment companies. NLMK Kaluga used the seasonal decline in demand in the beginning of the year to master a new product, sections; industrial scale production is planned for Q2. This was the main reason behind the decline in NLMK Kaluga production volumes. In the meantime, this decline was partially offset by increased run rates at our Urals-based plant, NSMMZ, that took part of the reallocated orders.

Segment sales went up by 3.2% q-o-q to 0.653 m t. The bulk was sold to the Russian market. NLMK Kaluga sales totaled 0.190 m t (-15.8% q-o-q) as a result of a temporary reduction in output volumes (see our comment above). The sales of other Segment companies increased by 13.7% to 0.463 m t on the back of improved demand on the Russian long products market in the end of Q1.

Scrap sales totaled 0.632 m t (-50.1% q-o-q, +35% y-o-y). The q-o-q decline in scrap sales is explained by the seasonally lower scrap collection during winter. Y-o-y, scrap sales went up by 35%. The bulk (98%) of scrap was sold to the Group companies. In Q1 2014, our own capacities processed a total of 0.339 m t of scrap (-45.6% q-o-q and +12.3% y-o-y).

Foreign Rolled Products Segment**NLMK USA⁸**

Sales, million t	Q1 2014	Q4 2013	Q1 14 / Q4 13	Q1 2013	Q1 14/ Q1 13
Hot-rolled steel	0.251	0.245	2.4%	0.275	-8.7%
Cold-rolled steel	0.131	0.124	5.6%	0.117	12.0%
Galvanized steel	0.074	0.080	-7.5%	0.083	-10.8%
Total rolled steel⁹	0.456	0.449	1.5%	0.474	-3.9%

⁸ NLMK USA includes NLMK Indiana, NLMK Pennsylvania, and Sharon Coating. Operating data for NLMK USA is presented in metric tonnes.

⁹ NLMK USA also sells non-significant volumes of commercial slabs not included into total rolled steel sales. In Q4 2013, sales of slabs totaled 2,000 tonnes, in Q1 2014 sales of slabs also totaled 2,000 tonnes.

Crude steel production at NLMK Indiana went up by 3% q-o-q to 0.169 m t.

Sales of rolled steel increased by 1.5% q-o-q to 0.456 m t supported by consistently strong market conditions. Sales were 3.9% lower y-o-y due to unfavorable weather conditions that led to lower transportation volumes.

In Q1 2014, sales of HRC went up by 2.4% q-o-q; sales of CRC went up by 5.6%; and sales of galvanized steel went down by 7.5% q-o-q.

NLMK Dansteel

Sales, million t	Q1 2014	Q4 2013	Q1 14 / Q4 13	Q1 2013	Q1 14/ Q1 13
Thick plates	0.100	0.090	11.1%	0.073	38.6%

Thick plate production went up by 5.7% q-o-q to 101,000 t.

Sales jumped by 11.1% q-o-q to 100,000 t supported by increased deliveries to our key customers. The significant growth in y-o-y sales (+38.6%) was attributable to the new rolling mill reaching design capacity in the beginning of 2013 following equipment upgrades.

In Q1 2014, Novolipetsk sold 0.111 m t of slabs (-12.1% q-o-q) to NLMK Dansteel.

Associated companies**NLMK Belgium Holdings (NBH)**¹⁰

Sales, million t	Q1 2014	Q4 2013	Q1 14 / Q4 13	Q1 2013	Q1 14/ Q1 13
Hot-rolled steel	0.167	0.204	-18.3%	0.134	24.4%
Cold-rolled steel	0.019	0.017	14.1%	0.017	10.4%
Coated steel	0.090	0.086	4.2%	0.092	-2.3%
Total flat steel (thin sheet)	0.276	0.307	-10.2%	0.244	13.3%
Semi-finished (ingots)	0.020	0.022	-7.2%	0.019	7.9%
Thick plates	0.176	0.152	16.1%	0.151	16.8%
Totals steel products including flat steel (thin sheet)	0.472	0.480	-1.8%	0.413	14.3%

¹¹ Sales of NLMK Belgium Holdings (NBH) in 9M 2013 and 2012 were included in the consolidated results of the Group. Starting from Q4 2013, NBH sales are disclosed separately. NBH assets include producers of thick plates NLMK Clabecq (Belgium), NLMK Verona (Italy) and producers of flat steel NLMK La Louvière (Belgium), NLMK Coating (France) и NLMK Strasbourg (France).

Steel products output totaled 0.464 m t (-2.3% q-o-q), incl 0.273 m t (-7.9% q-o-q) of flat steel (thin sheet) and 0.166 m t (+6.1%) of thick plates.

Sales of steel products totaled 0.472 m t (-1.8% q-o-q). Sales of flat steel (thin sheet) decreased by 10.2% q-o-q to 0.276 m t due to lower demand from machine-builders (incl. automotive). Q1 2014 thick plate sales went up by 16.1% q-o-q (+16.8% y-o-y) to 0.176 m t supported by higher niche product sales.

In Q1 2014, Novolipetsk sold 0.483 m t of slabs (+8.2% q-o-q) to NBH companies.

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About NLMK Group:

NLMK Group is a vertically integrated steel company and Russia's leading steel maker and manufacturer of rolled products with high added value. NLMK's high-quality metal products are used in various industries, from construction and engineering to the manufacture of power-generating equipment and offshore wind turbines.

NLMK's production assets are located in Russia, Europe, and the United States. The Company's liquid steel production capacity is over 17 million tonnes per year, of which about 16 million tonnes are located in Russia. The Company generated US\$ 10.9 billion in revenue, and EBITDA of US\$ 1.5 billion in 2013.

NLMK's ordinary shares are traded on the Moscow Stock Exchange (MICEX-RTS, ticker symbol: NLMK), and its global depositary shares are traded on the London Stock Exchange (ticker symbol: NLMK:LI).

For further details:

Investor Relations contacts:

Sergey Takhiev
+7 (495) 915 1575
tahiev_sa@nlmk.com

Media contacts:

Sergey Babichenko
+7 (916) 824 6743
babichenko_sy@nlmk.com

Appendixes

Appendix 1. NLMK Group crude steel production

Production, million t	Q1 2014	Q4 2013	Q1'14 / Q4'13	Q1 2013	Q1'14/ Q1'13
NLMK Group	3.909	4.064	-3.8%	3.693	5.8%
Novolipetsk	3.086	3.193	-3.4%	3.032	1.8%
NLMK Long Products	0.654	0.707	-7.5%	0.450	45.4%
incl. NLMK Kaluga	0.195	0.253	-22.9%	-	-
NLMK Indiana (NLMK USA)	0.169	0.164	3.1%	0.170	-0.4%
<i>for information</i>					
NBH, NLMK Verona (EAF) ¹	0.047	0.039	19.4%	0.042	13.2%

¹ NLMK Verona is part of NBH that is deconsolidated starting from Q4 2013.

Appendix 2. NLMK Group products output

Production, million t	Q1 2014	Q4 2013	Q1'14 / Q4'13	Q1 2013	Q1'14/ Q1'13
Commercial pig iron	0.006	0.022	-71.8%	0.103	-93.9%
Commercial slabs	1.060	1.504	-29.5%	1.071	-1.0%
Flat steel	1.904	1.834	3.8%	2.229	-14.6%
Commercial billets	0.074	0.094	-21.0%	0.000	
Long products	0.468	0.516	-9.4%	0.373	25.4%
Metalware	0.078	0.074	5.4%	0.071	9.0%
Total products	3.590	4.044	-11.2%	3.847	-6.7%

Appendix 3. Novolipetsk product output

Production, million t	Q1 2014	Q4 2013	Q1'14 / Q4'13	Q1 2013	Q1'14/ Q1'13
Commercial slabs	1.540	1.840	-16.3%	1.565	-1.6%
Hot-rolled steel	0.625	0.544	14.9%	0.632	-1.1%
Cold-rolled steel	0.384	0.373	2.9%	0.387	-0.8%
Galvanized steel	0.146	0.159	-8.0%	0.134	9.2%
Pre-painted steel	0.124	0.118	5.1%	0.137	-9.1%
Dynamo steel	0.073	0.065	12.4%	0.068	6.6%
Transformer steel	0.020	0.020	-1.8%	0.020	0.0%
Total products ²	2.918	3.142	-7.1%	3.046	-4.2%

² Including commercial pig iron.

Appendix 4. Main raw materials production

Production, million t	Q1 2014	Q4 2013	Q1'14 / Q4'13	Q1 2013	Q1'14/ Q1'13
Coke	1.530	1.566	-2.3%	1.624	-5.7%
Novolipetsk	0.584	0.583	0.2%	0.596	-2.1%
Altai-Koks	0.949	0.985	-3.7%	1.027	-7.6%
Iron ore	4.009	3.878	3.4%	3.772	6.3%
Iron ore concentrate	3.630	3.512	3.4%	3.409	6.5%
Sinter ore	0.379	0.366	3.6%	0.363	4.4%
Scrap	0.339	0.622	-45.6%	0.302	12.3%